

INCOMING TELEGRAM Department of State

48

Action

VZCZNFHA72 ROA068

DECLASSIFIED

027637

1967 MAY 26 AM 10 38

E

Info

SS

SP

SC

L

EUR

NSC

INR

CIA

NSA

DOD

CAB

COM

DOT

FAA

RSR

OO RUEHC
DE RUFHRO 6287 1461410
ZNY CCCCC
O R 261345Z MAY 67
FM AMEMBASSY ROME
TO RUEHC/SECSTATE WASHDC IMMEDIATE
INFO RUFNCR/AMEMBASSY PARIS
STATE GRNC
BT

LIMITED OFFICIAL USE ROME 6287

CIVAIR: FROM USDEL

REF: ROME 6276

REVIEWED BY

DATE 25 MAY 1982

RDS or XDS EXT. DATE

TS AUTH: REASON(S)

ENDORSE EXISTING HANDLING

DECLASSIFIED

RELEASE DATES

PA 64 FOI EXEMPTIONS

1. WE HAVE ANALYZED SITUATION ON BASIS OF PLENARY MEETINGS TO DATE PLUS MINNTTI-LOY-CAPOMAZZA DISCUSSION THIS MORNING. IN SPITE OF OUR EFFORTS TO MAKE TALKS, PARTICULARLY THIS MORNING'S, THE BLUNTEST, MOST DIRECT EXCHANGE POSSIBLE, THE ANSWERS WE GOT TO OUR QUESTIONS HAVE BEEN SO UNCLEAR AND CONTRADICTIONARY THAT WE CANNOT BE ABSOLUTELY SURE ON ANY OF THE FOLLOWING. WITH THAT CAVEAT, OUR CONCLUSIONS FOLLOW:

2. AS RESULT OF PRIVATE SOUNDINGS, WE BELIEVE CANNOT MAKE DEAL ACCEPTABLE TO ITALIANS DURING THIS ROUND BY DROPPING AUSTRALIA AND AFRICA ON OUR SIDE AND KEEPING THEIR ROUTES AT LEVEL US DOCUMENT 6. IN SPITE OF OUR EFFORTS, HOWEVER, CANNOT CLEAR UP THIS POINT

COMPLETELY IN PRIVATE TALKS WITH CAPOMAZZA. ONE WAY TO DO SO WOULD BE TO PUT DEAL ON TABLE. ANOTHER POSSIBILITY WOULD BE REINHARDT/ORTONA DISCUSSION. REINHARDT PLANS TO TRY TO SEE ORTONA, BUT NOT SURE WHETHER ORTONA CAN FOCUS ON QUESTION NOW, SINCE HE IS RUNNING EEC SUMMIT.

3. WE THINK THAT ONLY FAIRLY SURE WAY MAKE DEAL ACCEPTABLE TO ITALIANS BY MAY 31 WOULD BE DROP AUSTRALIA AND AFRICA AND ADD ATLANTA/MEXICO TO THEIR SIDE. WE THINK WE CAN GET RID OF DALLAS. WE MEAN BY THIS MAKE ESSENTIAL ROUTE EXCHANGE, NOT ACTUALLY CONCLUDE AGREEMENT. WE BELIEVE, HOWEVER, THAT IN SUCH CASE FINAL DEAL WOULD INCLUDE ACCEPTABLE CAPACITY PROVISIONS AND WOULD PERMIT US REASONABLY FLEXIBLE ROUTE STRUCTURE. WE HAVE CONSIDERABLE WORRY ABOUT THE

DECLASSIFIED

DECLASSIFIED
LIMITED INTERNAL USE

-2- ROME 6287, MAY 26

TREATMENT OF ALL CARGO SERVICES, BUT CAPOMAZZA'S POSITION ON THIS IS STILL SO UNDERDEVELOPED THAT WE CANNOT SAY FOR SURE WHETHER OR NOT THIS CAN BE RESOLVED WITH SUCH ROUTE PACKAGE.

4. CONCEIVABLY, DEALS COULD BE MADE WITH THE FOLLOWING SMALLER PACKAGES:

A) GIVE ITALIANS ATLANTA ONLY AND DROP BOTH AFRICA AND AUSTRALIA FOR US;

B) GIVE ITALIANS ATLANTA AND MEXICO AND DROP AFRICA BUT

NOT AUSTRALIA FOR US.

C) GIVE ITALIANS ATLANTA/MEXICO PLUS A DEFERRED RTW AND FOR US A DEFERRED AUSTRALIA PLUS POSSIBLY A DEFERRED AFRICA ROUTE. (THIS WAS CAPOMAZZA'S SUGGESTION OF THIS MORNING. DEFERRAL PERIOD DISCUSSED WAS AROUND 1971.)

5. THERE ARE STILL OTHER ELEMENTS OF ROUTE STRUCTURE THAT ARE UNCLEAR AT THIS LATE DATE, BUT WE CONTINUE TO THINK THEY WOULD NOT BE MAKE OR BREAK ISSUES. ITALIANS HAVE NOT MADE CLEAR WHICH INTERMEDIATES THEY REQUIRE ON THEIR VARIOUS ROUTES. DESPITE OUR PERSISTENT PUSHING, CAPOMAZZA HAS CONSISTENTLY REFUSED BY DRAWN INTO DISCUSSION OF SUCH "DETAILS" (AS HE CALLS THEM) BEFORE AGREEMENT REACHED ON BASIC STRUCTURE OF ROUTE EXCHANGE. WE DO NOT THINK, HOWEVER, THAT INTERMEDIATES WILL BE SERIOUS PROBLEM IN CONTEXT OF AN OTHERWISE ACCEPTABLE ROUTE PACKAGE. IN FACT WE WOULD HOPE DRAW ITALDEL INTO PROPOSING OPEN INTERMEDIATES WHICH HAVE UNANIMOUS SUPPORT OF CARRIERS. WE HAVE BEEN UNABLE ENGAGE ITALIANS IN MEANINGFUL DISCUSSION OF EITHER THEIR POINTS BEYOND TOKYO OR OURS BEYOND ROME. CONTINUED ITALIAN REFERENCES TO GREAT "FLEXIBILITY" OF US BEYONDS INDICATES THAT EVEN AFTER AGREEMENT REACHED ON SUBSTANCE OF ROUTE EXCHANGES THEY MAY

INSIST ON SOME STRUCTURING OF LINEAR BEYOND ROUTES FOR US.

6. ITALIAN POSITION SEEMS GROUNDED ON SEVERAL PROPOSITIONS:

A) FOUR POINTS IN THE "S AND RTW IS NOT AS GOOD ROUTE PACKAGE AS WE HAVE GIVEN OTHER WESTERN EUROPEAN COUNTRIES LESS IMPORTANT TO US IN AVIATION OR POLITICAL TERMS.

DECLASSIFIED
LIMITED INTERNAL USE

DECLASSIFIED
LIMITED OFFICIAL USE

-3- ROME 6287, MAY 26

B) US SYSTEM OF VALUATION DOES NOT ADEQUATELY RECOGNIZE OPERATIONAL IMPORTANCE OF ROME TO US CARRIERS' FAR FLUNG SERVICES.

C) IF THEY GRANT US BOTH AUSTRALIA AND AFRICA, WE WILL HAVE IN ESSENCE EVERYTHING WE WANT AND THEREFORE THEY WILL NOT HAVE ANY BARGAINING LEVERAGE IN THE FUTURE.

7. WE BELIEVE ITALIANS HAVE CONVINCED THEMSELVES THAT WHAT THEY ARE ASKING IS NOT UNFAIR, ALTHOUGH HOW THEY DETERMINE FAIRNESS IS TOTALLY UNKNOWN TO US. THEY HAVE NEVER SUGGESTED ANY SUBSTITUTE FOR OUR VALUATION APPROACH, WHICH THEY REJECT. (INTERESTING TO NOTE THEY HAVE NEVER ONCE REALLY CHALLENGED OUR FIGURES THEMSELVES, AND INDEED HAVE CONSISTENTLY REFUSED TO DISCUSS THEM.)

8. ITALIANS VIEW JUNE 1 WITHOUT MUCH FEAR. WE HAVE ALREADY TOLD THEM THAT IT WILL BE SOME TIME AFTER THAT DATE BEFORE WE CAN TAKE ANY ACTION AT ALL ON THEIR PERMIT AND BY THAT TIME THEY HOPE TO HAVE IMPROVED THE SITUATION OR CALLED OUR BLUFF. THEY BELIEVE THAT THEIR

3/4 FREEDOM PROPOSAL PUTS THEM IN A GOOD POSITION TO SAY ITALY DID NOT CAUSE THE BREAKDOWN IN SERVICES. DURING THE LAST TWO DAYS THEY HAVE CLEARLY BEEN SPEAKING AND DELIVERING DOCUMENTS WITH ONE EYE TOWARD PUBLIC IMPRESSION THEY WOULD WANT TO CREATE IN THE EVENT OF A BREAKDOWN.

9. FOR REASONS WE HAVE STATED EARLIER, WE HAVE NOT DISCUSSED WITH ITALIANS THE POSSIBILITY OF EXTENDING THE PRESENT AGREEMENT IN ONE FORM OR ANOTHER. THEY HAVE INDICATED THAT THEY THINK THE BEST WAY TO "STOP THE CLOCK" (THEIR PHRASE) IS TO GO INTO A REGIME OF RECIPROCAL PERMITS WITHOUT AN AGREEMENT. IN THE PRESENT POSTURE OF THE TALKS IT WILL BE DIFFICULT TO CONVINCE THEM THAT IT IS IN THEIR INTEREST TO STOP THE CLOCK BY EXTENDING THE AGREEMENT INSTEAD. OUR THINKING IS HOWEVER THAT THIS IS A DESIRABLE THING FOR US TO TRY.

10. REGARDLESS OUTCOME REINHARDT/ORTONA TALK, IF HELD, WE THINK IT NOW IN OUR INTEREST HAVE AUTHORITY PUT ON TABLE OUR OFFER DROP AUSTRALIA AND AFRICA FROM MAY 25 ROUTE PACKAGE. REASON FOR THIS WOULD BE MAKE IT AS HARD AS POSSIBLE FOR ITALIANS TO TURN DOWN, AND TO MAKE OUR LAST PRE-BREAKDOWN OFFER (IF IT IS THE LAST ONE) AS GENEROUS AS POSSIBLE.

DECLASSIFIED
LIMITED OFFICIAL USE

DECLASSIFIED
LIMITED OFFICIAL USE

-4- ROME 6287, MAY 26

11. SUGGEST DEPT/CAB DISCUSS SITUATION FAIRLY FRANKLY WITH ALL INTERESTED CARRIERS AND OBTAIN THEIR VIEW ON ABOVE, INCLUDING ALTERNATIVES STATED PARA 4, OR OTHERS THEY COME UP WITH.

12. IN VIEW CAPOMAZZA'S REQUEST FOR USG RESPONSE TO LATEST ITALIATM OFFER (PARA2, ROME 6276), REQUEST AUTHORITY REJECT PROPOSALS.

13. RE DISCUSSION WITH CARRIERS, DEPT/CAB SHOULD KNOW THAT CARRIER REPS HERE NOT AWARE OF OUR AUTHORITY DROP BOTH AUSTRALIA AND AFRICA, AND HAVE NOT BEEN TOLD OF OUR PRIVATE APPROACH TO CAPOMAZZA ON DROPPING BOTH ROUTES.

GP-3. REINHARDT
BT

ADVANCE COPY TO S/S-O	5-26-67, 10:45 A.M.
PASSED TO WHITE HOUSE	11:08 A.M.
PASSED TO USIA	10:51 A.M.

DECLASSIFIED
LIMITED OFFICIAL USE